

Chippewa Township
Mecosta County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2008

Supervisor George Griffes
Clerk..... Ilene June Stein
Treasurer Julie Austin
Trustees Ron Selfridge
 Nelda Metcalf

Chippewa Township

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As management of Chippewa Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Chippewa Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

At the close of the fiscal year, Chippewa township had total assets of \$2,061,455 and total liabilities of \$181,037 leaving total net assets of \$1,880,418. Of this amount, \$452,407 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

Governmental activities had an increase in net assets of \$53,260, and business-type activities had net loss of \$43,872.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Chippewa Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of Chippewa Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of Chippewa Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Chippewa Township is improving or deteriorating.

The Statement of Activities presents information showing how the Chippewa Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Chippewa Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Chippewa Township can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

Chippewa Township maintains two governmental funds, the General Fund and the Chippewa Lake Weed Control Fund.

Proprietary Funds

Chippewa Township has one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses a proprietary fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provided separate information for the Sewer Fund which is a major fund.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside Chippewa Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Chippewa Township budgetary information as it relates to the actual expenditures for the General Fund.

Chippewa Township

Management's Discussion and Analysis

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Chippewa Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2008, Chippewa Township's net assets from governmental activities totaled \$433,963 and \$1,446,455 business-type activities, creating a government-wide net assets total of \$1,880,418.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., buildings, land and equipment, etc.) These assets are used to provide services to Chippewa Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$345,320. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$1,446,455 in net assets of which \$107,087 is unrestricted net assets.

The decrease in current assets and other assets in business-type activities from fiscal year 2007 to 2008 are due to a decrease in sewer receivables and special assessments receivables. The decrease in capital assets in business-type activities from fiscal year 2007 to 2008 is due to normal depreciation.

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current assets and other assets	\$ 345,320	\$ 281,353	\$ 122,109	\$ 138,090	\$ 467,429	\$ 419,443
Capital assets	88,643	99,350	1,505,383	1,568,274	1,594,026	1,667,624
Total assets	433,963	380,703	1,627,492	1,706,364	2,061,455	2,087,067
Current liabilities	-	-	41,037	41,037	41,037	41,037
Noncurrent Liabilities	-	-	140,000	175,000	140,000	175,000
Total liabilities	-	-	181,037	216,037	181,037	216,037
Net assets						
Invested in capital assets	88,643	99,350	1,330,383	1,358,274	1,419,026	1,457,624
Restricted for debt service	-	-	8,985	4,648	8,985	4,648
Unrestricted	345,320	281,353	107,087	127,405	452,407	408,758
Total net assets	\$ 433,963	\$ 380,703	\$ 1,446,455	\$ 1,490,327	\$ 1,880,418	\$ 1,871,030

Chippewa Township

Management's Discussion and Analysis

For the 2008 fiscal year, governmental activities net assets increased by \$53,260. Business-type activities net assets decreased by \$43,872.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 5,734	\$ 7,227	\$ 187,431	\$ 189,596	\$ 193,165	\$ 196,823
Operating grants and contributions	49,538	35,677	-	-	49,538	35,677
General revenues						
Property taxes	163,473	138,958	-	-	163,473	138,958
Grants and contributions not restricted	86,832	92,549	-	-	86,832	92,549
Franchise fees	1,839	1,753	-	-	1,839	1,753
Unrestricted investment earnings	8,136	5,963	5,426	6,035	13,562	11,998
Miscellaneous	4,342	3,182	33,335	37,633	37,677	40,815
Total revenues	319,894	285,309	226,192	233,264	546,086	518,573
Expenses:						
General government	121,369	121,395	-	-	121,369	121,395
Public safety	45,696	54,769	-	-	45,696	54,769
Public works	80,488	48,164	-	-	80,488	48,164
Community and economic development	-	171	-	-	-	171
Culture and recreation	19,081	16,896	-	-	19,081	16,896
Sewer Fund	-	-	270,064	241,016	270,064	241,016
Total expenses	266,634	241,395	270,064	241,016	536,698	482,411
Change in net assets	53,260	43,914	(43,872)	(7,752)	9,388	36,162
Net assets - Beginning	380,703	336,789	1,490,327	1,498,079	1,871,030	1,834,868
Net assets - Ending	\$ 433,963	\$ 380,703	\$ 1,446,455	\$ 1,490,327	\$ 1,880,418	\$ 1,871,030

Revenue increased approximately \$35,000 in governmental activities due to increases in charges for services and the collection of franchise fees. Property taxes increased with new construction and state shared revenue decreased due to a drop in state funding. Sewer Fund expenses increased due to high sewer usage.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Chippewa Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Chippewa Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances, or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, Chippewa Township governmental funds reported an unreserved fund balance of \$309,956 of which 100% is unrestricted and unreserved.

Chippewa Township's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Net assets of the Sewer Fund decreased by \$43,872.

General Fund Budget

During the current fiscal year, Chippewa Township made no amendments to its original budget.

General Fund Budget to Actual

During the fiscal year, the Township's noteworthy variations from the final budget to actual revenues and expenditures are listed below:

- Public safety was less than anticipated due to not purchasing additional fire equipment.
- Public works was less than budget due to not completing all anticipated projects.
- Other governmental functions was significantly less than anticipated, reflecting not having to use contingency funds.

Capital Assets

Chippewa Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008 totaled \$1,594,026 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles. There were no significant capital asset additions during the year.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 25,587	\$ 25,587	\$ -	\$ -	\$ 25,587	\$ 25,587
Buildings and improvements	12,710	13,751	-	-	12,710	13,751
Plants and infrastructure	-	-	1,482,592	1,542,419	1,482,592	1,542,419
Furniture and equipment	50,346	60,012	22,791	25,855	73,137	85,867
Total	\$ 88,643	\$ 99,350	\$ 1,505,383	\$ 1,568,274	\$ 1,594,026	\$ 1,667,624

Additional information on Chippewa Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

Chippewa Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 89% of the General Fund revenue sources. In fiscal year 2009, state revenue sharing is expected to continue to decline. Property tax revenues will likely remain flat or have a slight increase.

The Township Board is somewhat cautious on expenditures of the Township due to the economic uncertainties of Mecosta County and Michigan with regards to state revenue sharing. The employment situation for this area is a concern for caution, so the Township will continue being conservative with spending.

However, Chippewa Township is optimistic about future economic growth and development including several new subdivisions and the proposed refurbishing and development of the Stone Hatchery Community Park. The Township continues to work on its recreation master plan, which will assist in meeting future recreational and leisure-time needs as the Township grows.

Requests for Information

This financial report is designed to provide a general overview of Chippewa Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chippewa Township, PO Box 320, Chippewa Lake, MI 49320, 231-867-3777.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

December 5, 2008

Township Board
Chippewa Township
Chippewa Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chippewa Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chippewa Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chippewa Township, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 21 - 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Chippewa Township
STATEMENT OF NET ASSETS
March 31, 2008

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 279,015	\$ 19,122	\$ 298,137
Receivables	52,993	6,729	59,722
Due from other governmental units	<u>13,312</u>	<u>17,186</u>	<u>30,498</u>
Total current assets	345,320	43,037	388,357
NONCURRENT ASSETS			
Restricted assets	-	15,022	15,022
Capital assets, net			
Nondepreciable	25,587	-	25,587
Depreciable	63,056	1,505,383	1,568,439
Special assessments receivable	<u>-</u>	<u>64,050</u>	<u>64,050</u>
Total noncurrent assets	<u>88,643</u>	<u>1,584,455</u>	<u>1,673,098</u>
Total assets	433,963	1,627,492	2,061,455
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accrued liabilities	-	6,037	6,037
Bonds and other obligations, due within one year	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Total current liabilities	-	41,037	41,037
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	<u>-</u>	<u>140,000</u>	<u>140,000</u>
Total liabilities	<u>-</u>	<u>181,037</u>	<u>181,037</u>
NET ASSETS			
Invested in capital assets, net of related debt	88,643	1,330,383	1,419,026
Restricted for debt service	-	8,985	8,985
Unrestricted	<u>345,320</u>	<u>107,087</u>	<u>452,407</u>
Total net assets	<u>\$ 433,963</u>	<u>\$ 1,446,455</u>	<u>\$ 1,880,418</u>

The accompanying notes are an integral part of this statement.

Chippewa Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Primary government						
Governmental activities						
General government	\$ 121,369	\$ 5,734	\$ -	\$ (115,635)	\$ -	\$ (115,635)
Public safety	45,696	-	-	(45,696)	-	(45,696)
Public works	80,488	-	49,538	(30,950)	-	(30,950)
Culture and recreation	19,081	-	-	(19,081)	-	(19,081)
Total governmental activities	266,634	5,734	49,538	(211,362)	-	(211,362)
Business-type activities						
Sewer	270,064	187,431	-	-	(82,633)	(82,633)
Total business-type activities	270,064	187,431	-	-	(82,633)	(82,633)
Total government	<u>\$ 536,698</u>	<u>\$ 193,165</u>	<u>\$ 49,538</u>	(211,362)	(82,633)	(293,995)
General revenues						
Property taxes				163,473	-	163,473
Franchise fees				1,839	-	1,839
Grants and contributions not restricted to specific programs				86,832	-	86,832
Unrestricted investment earnings				8,136	5,426	13,562
Miscellaneous				4,342	33,335	37,677
Total general revenues				264,622	38,761	303,383
Change in net assets				53,260	(43,872)	9,388
Net assets at April 1, 2007				380,703	1,490,327	1,871,030
Net assets at March 31, 2008				<u>\$ 433,963</u>	<u>\$ 1,446,455</u>	<u>\$ 1,880,418</u>

The accompanying notes are an integral part of this statement.

Chippewa Township
BALANCE SHEET
 Governmental Funds
 March 31, 2008

	General Fund	Lake Board	Total governmental funds
ASSETS			
Cash and investments	\$ 246,962	\$ 32,053	\$ 279,015
Receivables			
Accounts receivable	3,040	-	3,040
Special assessments	-	35,364	35,364
Property taxes	14,589	-	14,589
Due from other governmental units	13,312	-	13,312
Total assets	<u>\$ 277,903</u>	<u>\$ 67,417</u>	<u>\$ 345,320</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue	\$ -	\$ 35,364	\$ 35,364
Fund balances			
Unreserved, undesignated			
General Fund	277,903	-	277,903
Special revenue fund	-	32,053	32,053
Total fund balances	<u>277,903</u>	<u>32,053</u>	<u>309,956</u>
Total liabilities and fund balances	<u>\$ 277,903</u>	<u>\$ 67,417</u>	<u>\$ 345,320</u>

The accompanying notes are an integral part of this statement.

Chippewa Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2008

Total fund balance—governmental funds	\$	309,956
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$	208,706	
Accumulated depreciation		<u>(120,063)</u>	88,643

Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds		35,364
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>433,963</u></u>
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The accompanying notes are an integral part of this statement.

Chippewa Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2008

	General Fund	Lake Board	Total governmental funds
REVENUES			
Property taxes	\$ 153,015	\$ -	\$ 153,015
Licenses and permits	77	-	77
Intergovernmental revenues - State	87,932	-	87,932
Charges for services	11,749	-	11,749
Investment earnings	8,084	53	8,137
Other	9,444	49,808	59,252
	<u>270,301</u>	<u>49,861</u>	<u>320,162</u>
Total revenues			
EXPENDITURES			
Current			
General government	114,165	-	114,165
Public safety	36,144	-	36,144
Public works	42,198	38,290	80,488
Culture and recreation	19,081	-	19,081
Other governmental functions	6,047	-	6,047
	<u>217,635</u>	<u>38,290</u>	<u>255,925</u>
Total expenditures			
Net change in fund balances	52,666	11,571	64,237
Fund balances at April 1, 2007	225,237	20,482	245,719
Fund balances at March 31, 2008	<u>\$ 277,903</u>	<u>\$ 32,053</u>	<u>\$ 309,956</u>

The accompanying notes are an integral part of this statement.

Chippewa Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2008

Net change in fund balances—total governmental funds	\$	64,237
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (12,197)	
Capital outlay	<u>1,490</u>	(10,707)

Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.

(270)

Change in net assets of governmental activities	\$	<u><u>53,260</u></u>
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The accompanying notes are an integral part of this statement.

Chippewa Township
STATEMENT OF NET ASSETS
 Proprietary Funds
 March 31, 2008

ASSETS

	Sewer Fund
CURRENT ASSETS	
Cash and investments	\$ 19,122
Accounts receivable	6,729
Due from other governmental units	<u>17,186</u>
Total current assets	43,037
NONCURRENT ASSETS	
Restricted assets	15,022
Capital assets, net	
Plant and system	2,892,755
Equipment and furniture	32,453
Less accumulated depreciation	<u>(1,419,825)</u>
Net capital assets	1,505,383
Special assessment receivable	<u>64,050</u>
Total noncurrent assets	<u>1,584,455</u>
Total assets	1,627,492
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued liabilities	6,037
Bonds and other obligations, due within one year	<u>35,000</u>
Total current liabilities	41,037
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>140,000</u>
Total liabilities	<u>181,037</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,324,346
Restricted for debt service	8,985
Unrestricted	<u>113,124</u>
Total net assets	<u><u>\$ 1,446,455</u></u>

The accompanying notes are an integral part of this statement.

Chippewa Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Funds
 For the year ended March 31, 2008

	<u>Sewer</u>
REVENUES	
Charges for services	\$ 220,766
OPERATING EXPENSES	
Operations	195,098
Depreciation and amortization	<u>62,891</u>
Total operating expenses	<u>257,989</u>
Operating loss	(37,223)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	5,426
Interest expense	<u>(12,075)</u>
Total nonoperating revenue (expenses)	<u>(6,649)</u>
Change in net assets	(43,872)
Net assets at April 1, 2007	<u>1,490,327</u>
Net assets at March 31, 2008	<u><u>\$ 1,446,455</u></u>

The accompanying notes are an integral part of this statement.

Chippewa Township
STATEMENT OF CASH FLOWS
 Proprietary Funds
 For the year ended March 31, 2008

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 244,031
Payments to suppliers	(80,786)
Payments to employees	<u>(114,312)</u>
Net cash provided by operating activities	48,933
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessments	11,737
Principal paid on capital debt	(35,000)
Interest paid on capital debt	<u>(12,075)</u>
Net cash used for capital and related financing activities	(35,338)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	<u>5,426</u>
Net increase in cash and investments	19,021
Cash and investments at April 1, 2007	<u>15,123</u>
Cash and investments at March 31, 2008	\$ <u><u>34,144</u></u>
Reconciliation of cash and investments to statement of net assets	
Cash and investments	\$ 19,122
Restricted assets	<u>15,022</u>
	\$ <u><u>34,144</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (37,223)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	62,891
Change in assets and liabilities	
Receivables, net	<u>23,265</u>
Net cash provided by operating activities	\$ <u><u>48,933</u></u>

The accompanying notes are an integral part of this statement.

Chippewa Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2008

	<u>Agency Fund - Tax Collection</u>
ASSETS	
Cash and investments	\$ <u><u>1,274</u></u>
LIABILITIES	
Due to other governmental units	\$ <u><u>1,274</u></u>

The accompanying notes are an integral part of this statement.

Chippewa Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Chippewa Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Lake Board collects and pays for weed control on Chippewa Lake.

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station and collection systems.

Additionally, the Township reports the following fund type:

The Tax Collection Fund accounts for the tax revenue collected by the Township for the benefit of other units of local government within the area.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including tap fees intended to recover the cost of connecting new customers to the system.

When both restricted and unrestricted resources are available for use, it is the Township's policy is to use restricted resources first, then unrestricted resources as they are needed.

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. All investments are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31 and are due without penalty on or before February 15. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$46,622,000. The ad valorem taxes levied consisted of 1.1886 mills for the Township's operating purposes, .9509 mills for fire protection and .9509 for roads. These amounts are recognized in the General Fund.

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., sewer system assets), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-40
Furniture and equipment	3-15
Plants and systems	50

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. In January, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first Wednesday in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township limits its investment in commercial paper of any one firm to not more than five percent of the Township's investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$194,883 of the Township's bank balance of \$298,827 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 25,587	\$ -	\$ -	\$ 25,587
Capital assets, being depreciated:				
Buildings and improvements	41,645	-	-	41,645
Furniture and equipment	139,984	1,490	-	141,474
Total capital assets, being depreciated	181,629	1,490	-	183,119
Less accumulated depreciation:				
Buildings and improvements	27,894	1,041	-	28,935
Furniture and equipment	79,972	11,156	-	91,128
Total accumulated depreciation	107,866	12,197	-	120,063
Total capital assets, being depreciated, net	73,763	(10,707)	-	63,056
Capital assets, net	\$ 99,350	\$ (10,707)	\$ -	\$ 88,643

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE D—CAPITAL ASSETS—Continued

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Business-type activities:				
Capital assets, being depreciated:				
Plant and system	\$ 2,892,755	\$ -	\$ -	\$ 2,892,755
Equipment	32,453	-	-	32,453
Total capital assets, being depreciated	2,925,208	-	-	2,925,208
 Less accumulated depreciation:				
Plant and system	1,350,336	59,827	-	1,410,163
Equipment	6,598	3,064	-	9,662
Total accumulated depreciation	1,356,934	62,891	-	1,419,825
Capital assets, net	\$ 1,568,274	\$ (62,891)	\$ -	\$ 1,505,383

Depreciation:

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 2,645
Public safety	9,552
	<u>\$ 12,197</u>

Business-type activities:

Depreciation expense of \$62,891 for business-type activities was charged to the sewer function.

NOTE E—LONG-TERM DEBT

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Business-type activities:					
Drain/Special Assessment	\$ 210,000	\$ -	\$ 35,000	\$ 175,000	\$ 35,000
 Business-type activities:					
Revenue bonds:					
\$395,000 Drain/Special Assessment Roll No. 2					
in annual installments of \$35,000 through					
October 2012; interest at 5.75%				\$ 175,000	

Chippewa Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE E—LONG-TERM DEBT—Continued

The Township was in compliance in all material respects with all the revenue bond ordinances at March 31, 2008.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2008 follows:

Year ending June 30,	Business-type activities	
	Principal	Interest
2009	\$ 35,000	\$ 10,063
2010	35,000	8,050
2011	35,000	6,038
2012	35,000	4,025
2013	35,000	2,013
	<u>\$ 175,000</u>	<u>\$ 30,189</u>

NOTE F—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its Board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through John Hancock USA Group Pension Services, an independent third party. The Plan requires the Township to contribute 20 percent of covered payroll. Plan provisions and contribution requirements are established and may be amended by the Board. For the year ended March 31, 2008, the contribution to the Plan by the Township was approximately \$6,400.

NOTE H—ECONOMIC DEPENDENCY

The State of Michigan shared revenues represent approximately 33 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Chippewa Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 161,150	\$ 161,150	\$ 153,015	\$ (8,135)
Licenses and permits	100	100	77	(23)
Intergovernmental revenues - State	102,334	102,334	87,932	(14,402)
Charges for services	8,100	8,100	11,749	3,649
Franchise fees	2,000	2,000	1,839	(161)
Investment earnings	8,000	8,000	8,084	84
Other	5,500	5,500	7,605	2,105
Total revenues	287,184	287,184	270,301	(16,883)
EXPENDITURES				
Current				
General government				
Legislative	22,152	22,152	20,717	1,435
Supervisor	6,908	6,908	6,498	410
Elections	1,500	1,500	1,166	334
Assessing	22,000	22,000	20,495	1,505
Clerk	8,504	8,504	8,041	463
Board of Review	1,500	1,500	1,029	471
Treasurer	23,024	23,024	22,935	89
Town hall	10,500	10,500	9,641	859
Cemetery	20,000	20,000	18,920	1,080
Professional	4,500	4,500	4,722	(222)
Public safety				
Fire contract	124,022	124,022	36,144	87,878
Public works				
Highways	126,180	126,180	42,198	83,982
Culture and recreation				
Recreation and parks	20,800	20,800	19,080	1,720
Other governmental functions	76,941	76,941	6,047	70,894
Total expenditures	468,531	468,531	217,633	250,898
Net change in fund balance	\$ (181,347)	\$ (181,347)	52,668	\$ (267,781)
Fund balance at April 1, 2007			225,237	
Fund balance at March 31, 2008			\$ 277,905	

Chippewa Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Lake Board Fund
For the year ended March 31, 2008

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 100	\$ 100	\$ 53	\$ (47)
Other	<u>78,307</u>	<u>78,307</u>	<u>49,808</u>	<u>(28,499)</u>
Total revenues	78,407	78,407	49,861	(28,546)
EXPENDITURES				
Current				
Public works	<u>78,407</u>	<u>78,407</u>	<u>38,290</u>	<u>40,117</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	11,571	\$ <u>11,571</u>
Fund balance at April 1, 2007			<u>20,482</u>	
Fund balance at March 31, 2008			<u>\$ 32,053</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2008

Township Board
Chippewa Township
Chippewa Lake, Michigan

In planning and performing our audit of the financial statements of Chippewa Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Chippewa Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chippewa Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Chippewa Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: Receivable and payable balances should be adjusted and/or recorded on the Township's system at year end.

During our detailed testing of account balances, we noted that both accounts receivable and accounts payable were not adjusted to be in agreement with detailed balances as of year end.

The performance of a reconciliation at year end would increase the opportunity for accounts receivable and accounts payable activity to be properly recorded in the general ledger. In addition, sewer billings accounts receivable should be reconciled to the general ledger on a regular basis throughout the year to provide further assurance that receivables and the related revenue balances are properly stated in interim financial statements.

Recommendation 3: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Township's Board.

Recommendation 4: The Township should institute a policy to require timely biennial audits.

Due to illness of an elected official, audits have not been timely filed for the past two years. The Township should institute a policy that audits be required in a timely manner and have alternatives for completion of the audit if an elected official is not available.

Timely preparation and filing of the required audit with the State of Michigan would ensure timely payment of state shared revenue and compliance with state law.